

CITY OF CENTERVILLE
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

Peak & Gerdes, LLP
Certified Public Accountants
1051 Office Park Road
West Des Moines, IA 50265

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City of Centerville

Officials

<u>Name</u>	<u>Title</u> (Before January, 2006)	<u>Term</u> <u>Expires</u>
John C. Williams	Mayor	January, 2006
Glenn Moritz	Council Member	January, 2006
Bill Milani	Council Member	January, 2006
Mike Shanahan*	Council Member	January, 2008
Robert Greene	Council Member	January, 2008
Louise Kennis	Council Member	January, 2008
Greg Gorden**	Council Member	January, 2008
Kristen M. May	City Clerk/Treasurer	Indefinite
Debra George	Attorney	Indefinite
(After January, 2006)		
Greg Fenton	Mayor	January, 2008
Robert Greene	Council Member	January, 2008
Louise Kennis	Council Member	January, 2008
Kris Koestner	Council Member	January, 2010
Scott Kelly	Council Member	January, 2010
Greg Gorden**	Council Member	January, 2008
Mike Zintz***	Council Member	January, 2008
Kristen M. May	City Clerk/Treasurer	Indefinite
Debra George	Attorney	Indefinite

* - Resigned in November, 2005

** - On City Council from December, 2005 to March, 2006

*** - Elected in March, 2006

City of Centerville

PEAK & GERDES, LLP
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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Centerville, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Centerville's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The financial statements referred to above include only the primary government of the City of Centerville, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the City's legal entity. The financial data do not include financial data for the City's legally separate component unit, which U.S. generally accepted accounting principles require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of Centerville as of June 30, 2006, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for the primary government of the City of Centerville as of June 30, 2006, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 7, 2006 on our consideration of the City of Centerville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 31 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Centerville's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the primary government financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Peak & Gerdes, LLP
Certified Public Accountants

November 7, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Centerville provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- ❖ Receipts of the City's governmental activities increased 4.6%, or \$179,741, from fiscal 2005 to fiscal 2006. The majority of this increase was the result of property taxes levied for general purposes, capital grants, local option sales tax, hotel-motel tax, unrestricted interest on investments, and transfers increasing \$239,277, \$319,955, \$59,979, \$40,676, \$37,727 and \$58,214 respectively. Charges for service, operating grants, and TIF decreased \$90,777, \$105,347, and \$386,063, respectively. In addition, no TIF was levied in fiscal 2006.
- ❖ Disbursements decreased 8.9%, or \$384,167, in fiscal 2006 from fiscal 2005. Public works, debt service, and capital projects disbursements decreased \$107,994, \$47,630 and \$490,004, respectively. Public safety, culture and recreation, community and economic development and general government disbursements increased \$91,587, \$59,858, \$106,896, and \$3,120, respectively.
- ❖ The City's total cash basis net assets increased 5.6%, or \$162,026, from June 30, 2005 to June 30, 2006. Of this amount, the assets of the governmental activities increased \$51,270, the assets of the enterprise funds increased by \$6,108, and assets of the internal service fund increased by \$104,648. The primary reason for the increase in governmental activities was the increase in property tax and an increase in the local option sales tax fund balance.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U. S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- ❖ Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- ❖ Business Type Activities include the sanitary sewer system and the airport. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

(1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

(2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains an Enterprise Fund to provide separate information for the sewer funds, considered to be a major fund of the City. The airport maintains a separate account that supports this business activity, considered to be a non-major fund of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliation between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$2,116,930 to \$2,253,674. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities
(Expressed in Thousands)

	Year Ended <u>June 30, 2005</u>	Year Ended <u>June 30, 2006</u>
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 414	\$ 323
Operating grants, contributions and restricted interest	842	737
Capital grants, contributions and restricted interest	80	400
General receipts:		
Property tax	2,115	1,961
Local option sales tax	370	430
Hotel-Motel Tax	32	72
Unrestricted investment earnings	8	46
Bond proceeds	1	-
Other general receipts	43	58
Transfers, net	<u>(28)</u>	<u>30</u>
Total receipts and transfers	<u>3,877</u>	<u>4,057</u>
Disbursements:		
Public safety	1,294	1,386
Public works	583	475
Culture and recreation	363	423
Community and economic development	259	366
General government	215	218
Debt service	820	773
Capital projects	<u>770</u>	<u>279</u>
Total disbursements	<u>4,304</u>	<u>3,920</u>
Increase (Decrease) in cash basis net assets	(427)	137
Cash basis net assets beginning of year	<u>2,544</u>	<u>2,117</u>
Cash basis net assets end of year	<u>\$2,117</u>	<u>\$2,254</u>

The City's total receipts for governmental activities increased by 4.6%, or \$179,741. The total cost of all programs and services decreased by 8.9% or \$384,167, with no new programs added this year. The significant decrease in disbursements was primarily the result of a decrease in capital projects. Capital projects consisted of library renovation and disbursements from the local option sales tax funds for the pool.

Even though the City increased property tax rates for 2006, the City did not levy any TIF funds in 2006, resulting in a decrease overall in property tax receipts by an average of 7.3%. This decrease affected the City's TIF receipts, decreasing by \$386,063 in 2006.

The cost of all governmental activities this year was \$3,919,735 compared to \$4,303,902 last year. However, as shown in the Statement of Activities and Net Assets on pages 15-16, the amount taxpayers ultimately financed for these activities was only \$2,459,575 because some of the cost was paid by those who directly benefited from the programs (\$323,318) or by other governments and organizations that subsidized certain programs with grants, contributions and

restricted interest (\$1,136,842). The City paid for the remaining “public benefit” portion of governmental activities with \$2,459,575 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year Ended June 30, 2005	Year Ended June 30, 2006
Receipts and transfers:		
Program receipts:		
Charges for service:		
Sewer	\$658	\$754
Airport	47	58
General receipts:		
Unrestricted interest on investments	6	11
Other general receipts	6	12
Transfers	28	29
Total receipts and transfers	<u>745</u>	<u>864</u>
Disbursements:		
Sewer	591	740
Airport	80	99
Total disbursements	<u>671</u>	<u>839</u>
Increase in cash balance	74	25
Cash basis net assets beginning of year	<u>699</u>	<u>773</u>
Cash basis net assets end of year	<u>\$773</u>	<u>\$798</u>

Total business type activities receipts and transfers for the fiscal year were \$863,938 compared to \$745,221 last year. The cash balance increased by \$25,282 from the prior year. Total disbursements for the fiscal year increased by 25% to a total of \$838,656.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Centerville completed the year, its governmental funds reported a combined fund balance of \$2,125,251, an increase of \$51,270 from last year's total of \$2,073,981. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- ❖ The General Fund cash balance increased \$171,639 from the prior year to \$87,304. This increase was due to decreased spending this fiscal year and an increase in unrestricted donations to Drake Public Library.
- ❖ The Road Use Tax Fund cash balance decreased by \$7,578 to \$223,913 as of June 30, 2006. The City purchased additional equipment to service the City roads.

- ❖ The Local Option Sales Tax Fund cash balance as of June 30, 2006 was \$621,849. The balance in this account will be used for various projects such as the payment of debt related to the purchase of a new fire truck, public library renovation and payments to Centerville Schools for a school project. The City currently has 2 bonds, one for the fire truck and one for the library, which are paid out of this fund. This fund is also accumulating resources for a pool project.
- ❖ The Debt Service Fund cash balance decreased by \$9,993 to \$93,092 as of June 30, 2006. This decrease was due to a decrease in property tax collections.
- ❖ The Employee Benefits Fund cash balance increased by \$27,061 to \$78,493 as of June 30, 2006. The increase was due to an increase in property tax collections.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- ❖ The Sewer Fund cash balance increased by \$3,957 to \$783,860, due primarily to increase in sewer rates during the fiscal year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The budget amendments were approved on May 15, 2006 to provide for additional disbursements in certain City departments. Budget amended included: Police \$13,000 for overtime, grants and salaries; Fire \$43,039 for FEMA grant; Animal Control \$7,605 for benefits, spay/neuter; Street Lights \$16,000 for Electric on Street lights; Airport \$13,437 for airport layout plan, tires and insurance damage; Library \$50,000 for additional expense to be paid out of savings; Library project \$200,000 for renovations; Pool \$15,000 for safety; Youth Center \$1,518 taking over youth center; McGraw/TIF \$199,898 for payments and additional expenses; Hotel/Motel \$20,878 for payments; Policy and administration \$3,477 for additional expense; Debt service \$424,143 to account for debt service payments; Gateway \$210,000 added project; CDBG Water \$425,000 added project and Waste Water \$145,249 paid off loan early.

DEBT ADMINISTRATION

At June 30, 2005 and 2006, the City had \$4,785,718 and \$3,860,627, respectively, in bonds and other long-term debt, as shown below.

Outstanding Debt Year-End (Expressed in Thousands)		
	<u>June 30, 2005</u>	<u>June 30, 2006</u>
General obligation bonds	\$4,200	\$3,590
Revenue bonds	515	215
Notes payable	53	43
Lease-purchase agreements	<u>18</u>	<u>12</u>
Total	<u>\$4,786</u>	<u>\$3,860</u>

Debt decreased primarily as a result of making \$925,000 of scheduled bond and other debt payments.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$3,590,000 is significantly below its constitutional debt limit of \$8,678,403.

More detailed information about the City's long-term debt is presented in Notes 3 and 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

City of Centerville elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates, and fees that will be charged for various City activities. These indicators were taken into account when adopting the budget for fiscal year 2007. Receipts are budgeted to increase by \$253,524. Disbursements are budgeted to decrease by \$257,296. The majority of this increase in receipts is due to business type receipts and local option sales tax and hotel/motel monies and the majority of the decrease in disbursements is in the capital projects and debt service area. The City has added no major new programs or initiatives to the 2007 budget. If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$178,787 by the close of 2007.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kris May, City Clerk, 312 East Maple, Centerville, Iowa 52544.

Basic Financial Statements

City of Centerville

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2006

		Program Receipts		
		Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Disbursements	Service		
Functions / Programs				
Primary Government:				
Governmental activities:				
Public safety	\$ 1,385,621	184,501	97,936	37,137
Public works	474,732	27,800	497,997	15,974
Culture and recreation	423,048	89,876	140,501	-
Community and economic development	366,224	-	-	223,427
General government	218,017	21,141	-	-
Debt service	772,593	-	-	-
Capital projects	279,500	-	-	123,870
Total governmental activities	3,919,735	323,318	736,434	400,408
Business type activities:				
Sewer	739,293	754,029	-	-
Airport	99,363	57,556	-	-
Total business type activities	838,656	811,585	-	-
Total	\$ 4,758,391	1,134,903	736,434	400,408

General Receipts:

Property tax levied for:
 General purposes
 Tax increment financing
 Debt service
 Local option sales tax
 Hotel - motel tax
 Unrestricted interest on investments
 Miscellaneous
 Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:
 Streets
 Local option sales tax
 Debt service
 Other purposes
 Unrestricted

Total cash basis net assets

See notes to financial statements.

Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(1,066,047)	-	(1,066,047)
67,039	-	67,039
(192,671)	-	(192,671)
(142,797)	-	(142,797)
(196,876)	-	(196,876)
(772,593)	-	(772,593)
(155,630)	-	(155,630)
(2,459,575)	-	(2,459,575)
-	14,736	14,736
-	(41,807)	(41,807)
-	(27,071)	(27,071)
(2,459,575)	(27,071)	(2,486,646)
1,600,827	-	1,600,827
4,983	-	4,983
354,920	-	354,920
429,775	-	429,775
72,303	-	72,303
45,552	10,882	56,434
57,851	11,579	69,430
30,108	29,892	60,000
2,596,319	52,353	2,648,672
136,744	25,282	162,026
2,116,930	773,596	2,890,526
\$ 2,253,674	798,878	3,052,552
223,913	-	223,913
621,849	-	621,849
93,092	71,540	164,632
1,099,093	-	1,099,093
215,727	727,338	943,065
\$ 2,253,674	798,878	3,052,552

City of Centerville

Exhibit B

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2006

	General	Special Revenue			Debt Service	Nonmajor	Total
		Road Use Tax	Local Option Sales Tax	Employee Benefits			
Receipts:							
Property tax	\$ 1,059,118	-	-	541,710	354,920	-	1,955,748
Tax increment financing	-	-	-	-	-	4,983	4,983
Other city tax	72,303	-	429,775	-	-	-	502,078
Licenses and permits	66,598	-	-	-	-	-	66,598
Use of money and property	34,979	-	5,906	-	5,344	13,226	59,455
Intergovernmental	419,375	495,990	-	-	-	-	915,365
Charges for service	161,539	-	-	-	-	-	161,539
Special assessments	1,408	-	-	-	-	16,557	17,965
Miscellaneous	210,143	2,007	-	4,099	434	125,957	342,640
Total receipts	2,025,463	497,997	435,681	545,809	360,698	160,723	4,026,371
Disbursements:							
Operating:							
Public safety	1,018,293	-	-	411,959	-	5,490	1,435,742
Public works	19,073	465,763	-	2,398	-	-	487,234
Culture and recreation	399,500	-	-	22,665	-	3,840	426,005
Community and economic development	222,779	-	-	-	-	143,445	366,224
General government	197,062	-	-	40,849	-	-	237,911
Debt service	-	-	-	-	772,593	-	772,593
Capital projects	-	-	109,915	-	-	169,585	279,500
Total disbursements	1,856,707	465,763	109,915	477,871	772,593	322,360	4,005,209
Excess (deficiency) of receipts over (under) disbursements	168,756	32,234	325,766	67,938	(411,895)	(161,637)	21,162
Other financing sources (uses):							
Operating transfers in	48,226	-	-	-	401,962	60,000	510,188
Operating transfers out	(45,343)	(39,812)	(135,281)	(40,877)	-	(218,767)	(480,080)
Total other financing sources (uses)	2,883	(39,812)	(135,281)	(40,877)	401,962	(158,767)	30,108
Net change in cash balances	171,639	(7,578)	190,485	27,061	(9,933)	(320,404)	51,270
Cash balances beginning of year	(84,335)	231,491	431,364	51,432	103,025	1,341,004	2,073,981
Cash balances end of year	\$ 87,304	223,913	621,849	78,493	93,092	1,020,600	2,125,251
Cash Basis Fund Balances							
Reserved:							
Debt service	\$ -	-	-	-	93,092	-	93,092
Unreserved:							
General fund	87,304	-	-	-	-	-	87,304
Special revenue funds	-	223,913	621,849	78,493	-	357,551	1,281,806
Capital projects funds	-	-	-	-	-	518,340	518,340
Permanent fund	-	-	-	-	-	144,709	144,709
Total cash basis fund balances	\$ 87,304	223,913	621,849	78,493	93,092	1,020,600	2,125,251

See notes to financial statements.

City of Centerville

Exhibit C

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Governmental Funds

As of and for the year ended June 30, 2006

Total governmental funds cash balances (page 17) **\$ 2,125,251**

*Amounts reported for governmental activities in the Statement of Activities
and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of self funding of the City's health insurance benefit plan to individuals. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

128,423

Cash basis net assets of governmental activities (page 16) **\$ 2,253,674**

Net change in cash balances (page 17) **\$ 51,270**

*Amounts reported for governmental activities in the Statement of Activities
and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

85,474

Change in cash balance of governmental activities (page 16) **\$ 136,744**

See notes to financial statements.

City of Centerville

Exhibit D

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2006

	Enterprises Funds			Internal Service Fund
	Other Nonmajor Proprietary Fund			Employee Health
	Sewer	Airport	Total	
Operating receipts:				
Charges for service	\$ 753,436	36,360	789,796	497,454
Use of money and property	-	21,196	21,196	-
Miscellaneous	593	-	593	16,935
Total operating receipts	754,029	57,556	811,585	514,389
Operating disbursements:				
Governmental activities:				
Public safety	-	-	-	204,366
Public works	-	-	-	50,975
Culture and recreation	-	-	-	12,052
General government	-	-	-	35,961
Business type activities	439,108	99,363	538,471	46,387
Total operating disbursements	439,108	99,363	538,471	349,741
Excess (deficiency) of operating receipts over (under) operating disbursements	314,921	(41,807)	273,114	164,648
Non-operating receipts (disbursements):				
Interest on investments	10,882	-	10,882	-
Miscellaneous	1,008	10,571	11,579	-
Debt service	(319,359)	-	(319,359)	-
Total non-operating receipts (disbursements)	(307,469)	10,571	(296,898)	-
Excess (deficiency) of receipts over (under) disbursements	7,452	(31,236)	(23,784)	164,648
Other financing sources (uses):				
Operating transfers in	-	33,387	33,387	-
Operating transfers out	(3,495)	-	(3,495)	(60,000)
Total other financing sources (uses)	(3,495)	33,387	29,892	(60,000)
Net change in cash balances	3,957	2,151	6,108	104,648
Cash balances beginning of year	779,903	1,913	781,816	34,729
Cash balances end of year	\$ 783,860	4,064	787,924	139,377
Cash Basis Fund Balances				
Reserved for debt service	\$ 71,540	-	71,540	-
Unreserved	712,320	4,064	716,384	139,377
Total cash basis fund balances	\$ 783,860	4,064	787,924	139,377

See notes to financial statements.

City of Centerville

Exhibit E

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Proprietary Funds

As of and for the year ended June 30, 2006

Total enterprise funds cash balances (page 19) **\$ 787,924**

*Amounts reported for business type activities in the Statement of Activities
and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets.

10,954

Cash basis net assets of business type activities (page 16) **\$ 798,878**

Net change in cash balances (page 19) **\$ 6,108**

*Amounts reported for business type activities in the Statement of Activities
and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of self funding of the City's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with business type activities.

19,174

Change in cash balance of business type activities (page 16) **\$ 25,282**

See notes to financial statements.

City of Centerville

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

The City of Centerville is a political subdivision of the State of Iowa located in Appanoose County. It was first incorporated in 1855 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides sewer utilities for its citizens.

A. Reporting Entity

Except as discussed below, for financial reporting purposes, the City of Centerville has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Centerville (the primary government) and exclude all component units. The component unit discussed below is not included in the City's reporting entity although its operational or financial relationship with the City is significant.

Excluded Component Unit

The Centerville Municipal Waterworks was established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to, or impose specific burdens on the City. The Municipal Waterworks is governed by a five-member board appointed by the Mayor and approved by the City Council. The Waterworks' operating budget is subject to the approval of the City Council. Complete financial statements of the component unit, which will issue separate financial statements, can be obtained from the Municipal Waterworks administrative office.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Appanoose County Assessor's Conference Board, Appanoose County Emergency Management Commission, and Appanoose County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from the business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for local option sales tax receipts and the projects financed with these receipts.

The Employee Benefits Fund is used to account for property tax receipts and the related payment of employee benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary fund:

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City of Centerville maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the business-type activities function.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the City had no investments meeting the disclosure requirements of Government Accounting Standards Board Statement No. 3 as amended by Statement No. 40.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

(3) **Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 520,000	127,605	105,000	5,060	625,000	132,665
2008	410,000	112,768	110,000	2,750	520,000	115,518
2009	415,000	99,433	-	-	415,000	99,433
2010	415,000	85,608	-	-	415,000	85,608
2011	425,000	71,256	-	-	425,000	71,256
2012	290,000	56,016	-	-	290,000	56,016
2013	300,000	44,920	-	-	300,000	44,920
2014	305,000	33,033	-	-	305,000	33,033
2015	185,000	22,915	-	-	185,000	22,915
2016	195,000	14,680	-	-	195,000	14,680
2017	65,000	5,784	-	-	65,000	5,784
2018	65,000	2,925	-	-	65,000	2,925
	<u>\$ 3,590,000</u>	<u>676,943</u>	<u>215,000</u>	<u>7,810</u>	<u>3,805,000</u>	<u>684,753</u>

Revenue Notes:

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the Sewer Utility Fund and the note holders hold a lien on the future earnings of the sewer utility fund.
- (b) Sufficient monthly cash transfers shall be made to the Sewer Utility Operation and Maintenance Fund to meet the current expenses of the month plus an amount equal to one-twelfth of the expenses payable on an annual basis.
- (c) Sufficient monthly cash transfers shall be made to the Sewer Revenue Note and Interest Sinking Fund for the purpose of making the note principal and interest payments when due. The balance in this restricted account is required to be \$9,172 at June 30, 2006.

This account can only be used for the retirement of note principal and interest.

- (d) A Debt Service Reserve Fund shall be maintained for the purpose of paying principal and interest on the notes when insufficient funds are available in the Sinking Fund. The balance in this restricted account is required to be \$61,500 at June 30, 2006.

Notes Payable – US Bank

The City is indebted to US Bank in the amount of \$43,297. The note is due in five annual installments of \$11,956 including interest at 4.05 percent per annum. The final payment, consisting of the unpaid principal and interest, is due on April 15, 2010.

Future principal requirements of the notes payable is as follows:

Year Ending June 30,	Amount
2007	\$ 10,170
2008	10,590
2009	11,027
2010	11,510
Total	<u>\$ 43,297</u>

(4) Interfund Loan

During fiscal year 2005, the Capital Projects – Tax Increment Financing Fund loaned \$120,000 to the Internal Service Fund. This loan began in December 2004, and was for one year at an interest rate of 3.5%. During fiscal year 2006, this loan was extended for another year. During fiscal year 2006, \$65,581 was repaid, consisting of \$60,000 principal and \$5,581 interest. Therefore, at June 30, 2006, the interfund loan balance outstanding was \$60,000.

(5) **Lease Purchase Obligation**

The City is purchasing office equipment under capital lease contracts. Future payments in relation to these leases are as follows:

Year Ended June 30,	Principal	Interest	Total Payment
2007	\$ 5,633	705	6,338
2008	4,621	322	4,943
2009	2,076	46	2,122
Total	\$ 12,330	1,073	13,403

(6) **Operating Lease Agreements**

The City Library is leasing computer equipment and a copy machine for \$255 per month. Future required payments are:

Year Ended June 30,	Amount
2007	\$ 3,298
2008	2,345
2009	1,620
2010	1,620
	<u>\$ 8,883</u>

Total rent expense during the fiscal year on these agreements was \$3,568.

(7) **Pension and Retirement Benefits**

Iowa Public Employees Retirement System

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$44,280, \$44,631, and \$46,828 respectively, equal to the required contributions for each year.

Municipal Fire and Police Retirement System of Iowa

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits, which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104th St., Urbandale, Iowa 50322.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate, based upon an actuarially determined normal contribution rate, can not be less than 17% of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ended June 30, 2006, 2005 and 2004 were \$145,994, \$137,971, and \$115,363 respectively, which met the required contribution rate for each year.

(8) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, compensatory, and personal hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, compensatory and personal hours payable to employees at June 30, 2006, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Personal time	\$ 448
Compensatory time	25,067
Vacation	<u>111,945</u>
Total	<u>\$137,460</u>

This liability has been computed based on rates of pay in effect at June 30, 2006.

(9) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Employee Benefits	\$ 40,877
	Road Use Tax	2,865
	Permanent:	
	Cemetery Perpetual Care	<u>4,484</u>
		48,226
Debt Service	General	11,956
	Special Revenue:	
	Special Assessment	72,043
	Local Option Sales Tax	135,281
	Road Use Tax	36,947
	Urban Renewal Tax Increment	142,240
	Enterprise:	
	Sewer	<u>3,495</u>
		401,962
Enterprise:		
Airport	General	<u>33,387</u>
Capital Projects:	Internal Service:	
Tax Increment Financing	Employee Health	<u>60,000</u>
		<u>\$ 543,575</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(10) Budgeted Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2006, disbursements in the Business type activities function exceeded the amounts budgeted.

(11) Industrial Development Revenue Bonds

The City has issued a total of \$7,000,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest does not constitute liabilities of the City.

(12) Self-Insured Medical Plan

The City of Centerville has a self-insured medical plan for City employees. A fixed monthly fee per participating employee is paid to an insurance administrative company to administer the plan and evaluate claims. The plan is funded by both employee and city contributions.

The City escrows funds each month to be used to pay medical claims incurred. The maximum exposure by the City for one individual in a twelve-month period is \$20,000. Claims in excess of this amount are paid by the insurance administrative company through the purchase of stop loss insurance. The maximum aggregate benefit to be paid by the insurance company in a contract year is \$1,000,000. The City records the plan receipts and disbursements of the City of Centerville Health Insurance Fund as an Internal Service Fund.

(13) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 531 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current member's basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2006 were \$95,688.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to

\$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contracts with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and airport owners liability. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(14) Community Economic Betterment Account (CEBA) Grants

Local businesses were awarded CEBA grants of \$860,000 with the money for these grants passed through the City. Under the grant agreements, the businesses must meet certain employment goals within a specified period to have \$370,000 of the loans forgiven. The balance, or \$490,000, is to be amortized and paid back over a seven-year period.

In the event of default, the City's liability is limited to the amount it can collect from the businesses. The City also has the responsibility to enforce the security interests against the businesses in the event of default.

(15) Agreement with Appanoose County

The City entered into an agreement with Appanoose County to provide sewer services to a group of residents not previously served by the City. Appanoose County obtained a loan to finance the cost of construction related to this project. The total loan obtained by Appanoose County was \$116,200.

The City collects the sewer fees from the users of the service. The City then pays Appanoose County once a year at an amount equal to the lesser of sewer fees collected or principal and interest due on the loan. At June 30, 2006, the total principal balance of the loan outstanding was \$109,575. Total principal and interest paid by the City from the Sewer Utility Fund to Appanoose County for this loan in fiscal year 2006 was \$6,440. The City's liability is limited to the amount of fees collected from the users of this system.

(16) Development and Rebate Agreement

The City entered into a development and rebate agreement during the year ended June 30, 2004 to assist in an urban renewal project. The City agreed to rebate incremental taxes paid by the developer in exchange for infrastructure improvements with an estimated taxable value of \$200,000 constructed by the developer as set forth in the urban renewal plan. The incremental taxes to be received by the City under Chapter 403.10 of the Code of Iowa from the developer will be rebated for a period of seven years beginning with the tax year in which the property taxes on the completed value of the improvements are first paid. Future payments under the development and rebate agreement are as follows:

Year Ended June 30,	Principal	Interest	Total Payment
2007	\$ 6,349	2,029	8,378
2008	6,693	1,685	8,378
2009	7,066	1,312	8,378
2010	7,455	923	8,378
2011	7,865	513	8,378
2012	1,464	81	1,545
Total	\$ 36,892	6,543	43,435

During the year ended June 30, 2006, the City rebated \$4,757 of incremental taxes and \$3,621 in related interest to the developer. The cumulative amount rebated to the developer from March 2004 through June 30, 2006 was \$8,378.

(17) Litigation/Contingency

The City is the defendant in lawsuits relating to various City matters. The possibility, and amount of loss, if any, is undeterminable.

The City receives payments in lieu of taxes from the local housing agency. The City is in the process of determining whether some of these funds received in prior years from the local housing agency should have been distributed to political subdivisions in the County. The amount of funds the City received from the local housing agency which would be distributed to the political subdivisions, if any, is undeterminable.

The City participates in a number of Federal and State grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Entitlement to these resources are generally conditional upon compliance with the terms and conditions of grant and loan agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability to the City. The City's management believes such revisions or disallowances, if any, will not be material to the City.

(18) Construction Project

The City entered into a 28-E agreement with Appanoose County to replace a bridge which is part in the City and part in the County. The cost of this bridge is funded with federal grant funds and local match. Appanoose County directly receives the federal funds and provides the local match for this project. Appanoose County is also responsible for all procedural and substantive matters related to this project. The financial activity for this project is included in the books and records of Appanoose County and not the City of Centerville.

(19) Commitments/Subsequent Events

As of June 30, 2006, the City has awarded contracts for various construction projects. All of these construction projects will be primarily funded by grants. The City was awarded various grants, with approximately \$900,000 outstanding as of June 30, 2006. It is anticipated that most of these projects will be completed in fiscal year 2007.

Required Supplementary Information

City of Centerville

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds - Primary Government

Required Supplementary Information

Year ended June 30, 2006

	Less Funds not Required					Final to Total Variance
	Governmental Funds Actual	Proprietary Funds Actual	Budgeted	Budgeted Amounts		
				Total	Original	
Receipts:						
Property tax	\$ 1,955,748	-	-	1,955,748	1,736,116	219,632
Tax increment financing collections	4,983	-	-	4,983	-	4,983
Other city tax	502,078	-	-	502,078	718,688	(216,610)
Licenses and permits	66,598	-	-	66,598	70,625	(4,027)
Use of money and property	59,455	32,078	-	91,533	27,550	63,983
Intergovernmental	915,365	-	-	915,365	1,349,658	(1,113,278)
Charge for service	161,539	1,304,778	497,454	968,863	853,857	115,006
Special assessments	17,965	-	-	17,965	19,125	(1,160)
Miscellaneous	342,640	11,579	16,935	337,284	162,622	(366,239)
Total receipts	4,026,371	1,348,435	514,389	4,860,417	4,938,241	(1,297,710)
Disbursements:						
Public safety	1,435,742	204,366	204,366	1,435,742	1,398,793	26,538
Public works	487,234	50,975	50,975	487,234	662,650	204,854
Culture and recreation	426,005	12,052	12,052	426,005	279,765	120,278
Community and economic development	366,224	-	-	366,224	532,916	387,468
General government	237,911	35,961	35,961	237,911	241,385	6,952
Debt service	772,593	-	-	772,593	350,319	1,869
Capital projects	279,500	-	-	279,500	569,000	924,500
Business type activities	-	904,217	46,387	857,830	661,846	(50,735)
Total disbursements	4,005,209	1,207,571	349,741	4,863,039	4,696,674	1,621,724
Excess (deficiency) of receipts over disbursements						
	21,162	140,864	164,648	(2,622)	241,567	324,014
Other financing sources, net						
	30,108	(30,108)	(60,000)	60,000	-	60,000
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses						
	51,270	110,756	104,648	57,378	241,567	384,014
Balances beginning of year	2,073,981	816,545	34,729	2,855,797	3,261,864	(406,067)
Balances end of year	\$ 2,125,251	927,301	139,377	2,913,175	3,503,431	(22,053)

See accompanying independent auditor's report.

City of Centerville

Notes to Required Supplementary Information-Budgetary Reporting

June 30, 2006

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,788,089. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements exceeded the amount budgeted in the business type activities function.

Other Supplementary Information

City of Centerville

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2006

	Special				
	Urban Renewal Tax Increment	Friends of Oakland Cemetery	Crime Stoppers	Canine	Special Law Enforcement
Receipts:					
Tax increment financing	\$ 4,983	-	-	-	-
Use of money and property	2,201	413	-	-	-
Special assessments	-	-	-	-	-
Miscellaneous	-	190	1,275	5	411
Total receipts	7,184	603	1,275	5	411
Disbursements:					
Operating:					
Public safety	-	-	912	628	3,950
Culture and recreation	-	608	-	-	-
Community and economic development	142,616	-	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	142,616	608	912	628	3,950
Excess (deficiency) of receipts over (under) disbursements	(135,432)	(5)	363	(623)	(3,539)
Other financing sources (uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	(142,240)	-	-	-	-
Total other financing sources (uses)	(142,240)	-	-	-	-
Net change in cash balances	(277,672)	(5)	363	(623)	(3,539)
Cash balances beginning of year	590,714	28,460	3,064	3,108	5,834
Cash balances end of year	313,042	28,455	3,427	2,485	2,295
Cash Basis Fund Balances					
Unreserved:					
Special revenue funds	313,042	28,455	3,427	2,485	2,295
Capital project fund	-	-	-	-	-
Permanent fund	-	-	-	-	-
Total cash basis fund balances	\$ 313,042	28,455	3,427	2,485	2,295

See accompanying independent auditor's report.

Schedule 1

Revenue		Capital Projects		Permanent	
Library Memorial	Special Assessment	Library Construction	Tax Increment Financing	Cemetery Perpetual Care	Total
-	-	-	-	-	4,983
-	-	471	5,581	4,560	13,226
-	16,557	-	-	-	16,557
4,973	-	117,818	-	1,285	125,957
4,973	16,557	118,289	5,581	5,845	160,723
-	-	-	-	-	5,490
3,232	-	-	-	-	3,840
-	-	-	829	-	143,445
-	-	169,585	-	-	169,585
3,232	-	169,585	829	-	322,360
1,741	16,557	(51,296)	4,752	5,845	(161,637)
-	-	-	60,000	-	60,000
-	(72,043)	-	-	(4,484)	(218,767)
-	(72,043)	-	60,000	(4,484)	(158,767)
1,741	(55,486)	(51,296)	64,752	1,361	(320,404)
6,106	55,486	260,500	244,384	143,348	1,341,004
7,847	-	209,204	309,136	144,709	1,020,600
7,847	-	-	-	-	357,551
-	-	209,204	309,136	-	518,340
-	-	-	-	144,709	144,709
7,847	-	209,204	309,136	144,709	1,020,600

City of Centerville

Schedule 2

Schedule of Indebtedness
All Primary Government Fund Types

Year Ended June 30, 2006

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Bonds -									
Capital Loan Notes	April 1, 2001	5.50% \$	150,000	90,000	-	90,000	-	2,941	-
Capital Loan Notes	April 15, 2001	4.50%	110,000	30,000	-	30,000	-	822	-
Corporate Purpose	September 1, 2001	3.40-4.70%	1,400,000	1,225,000	-	90,000	1,135,000	51,940	-
Capital Loan Notes	May 1, 2003	1.25-4.50%	1,195,000	905,000	-	145,000	760,000	29,753	-
Capital Loan Notes	July 1, 2003	1.20-3.20%	500,000	455,000	-	45,000	410,000	10,809	-
Capital Loan Notes	September 1, 2003	3.00-4.00%	700,000	585,000	-	60,000	525,000	18,871	-
Refunding Capital Loan Notes	April 1, 2005	3.00-3.375%	910,000	910,000	-	150,000	760,000	34,300	-
				\$ 4,200,000	-	610,000	3,590,000	149,436	-
Revenue Notes -									
Capital Loan Notes	November 24, 1999	5.365% \$	400,000	195,000	-	195,000	-	5,863	-
Refunding Capital Loan Notes	April 1, 2003	1.20-2.50%	615,000	320,000	-	105,000	215,000	7,055	-
				\$ 515,000	-	300,000	215,000	12,918	-
Notes Payable -									
Vehicle Loan	April 15, 2005	4.05% \$	53,064	53,064	-	9,767	43,297	2,189	-
Lease Purchase Agreements									
Equipment	August 20, 2003	6.50% \$	21,054	15,109	-	4,081	11,028	862	-
Equipment	May 24, 2004	13.8125%	3,713	2,545	-	1,243	1,302	276	-
				\$ 17,654	-	5,324	12,330	1,138	-

See accompanying independent auditor's report.

City of Centerville

Schedule 3

Bond and Note Maturities

June 30, 2006

General Obligation Bonds											
Year Ending June 30,	Corporate Purpose		Capital Loan Notes		Capital Loan Notes		Capital Loan Notes		Refunding Capital Loan Notes		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2007	3.80%	\$ 95,000	2.40%	\$ 170,000	1.60%	\$ 45,000	3.000%	\$ 60,000	3.000%	\$ 150,000	\$ 520,000
2008	3.90%	100,000	2.80%	45,000	1.95%	50,000	3.000%	60,000	3.375%	155,000	410,000
2009	4.00%	100,000	3.10%	45,000	2.20%	50,000	3.100%	65,000	3.375%	155,000	415,000
2010	4.10%	105,000	3.35%	45,000	2.50%	50,000	3.125%	65,000	3.375%	150,000	415,000
2011	4.20%	110,000	3.60%	50,000	2.80%	50,000	3.500%	65,000	3.250%	150,000	425,000
2012	4.30%	115,000	3.75%	50,000	2.95%	55,000	3.700%	70,000	-	-	290,000
2013	4.40%	120,000	3.90%	55,000	3.05%	55,000	3.800%	70,000	-	-	300,000
2014	4.50%	125,000	4.00%	55,000	3.20%	55,000	4.000%	70,000	-	-	305,000
2015	4.60%	130,000	4.10%	55,000	-	-	-	-	-	-	185,000
2016	4.70%	135,000	4.25%	60,000	-	-	-	-	-	-	195,000
2017	-	-	4.40%	65,000	-	-	-	-	-	-	65,000
2018	-	-	4.50%	65,000	-	-	-	-	-	-	65,000
		<u>\$ 1,135,000</u>		<u>\$ 760,000</u>		<u>\$ 410,000</u>		<u>\$ 525,000</u>		<u>\$ 760,000</u>	<u>\$ 3,590,000</u>

Revenue Notes			
Refunding Capital Loan Notes			
Issued April 1, 2003			
Year Ending June 30,	Interest Rates	Amount	Total
2007	2.20%	\$ 105,000	\$ 105,000
2008	2.50%	110,000	110,000
		<u>\$ 215,000</u>	<u>\$ 215,000</u>

See accompanying independent auditor's report.

City of Centerville

Schedule 4

Schedule of Receipts By Source and Disbursements by Function -
All Governmental Funds

For the Last Four Years

	2006	2005	2004	2003
Receipts:				
Property tax	\$ 1,955,748	1,724,719	1,603,776	1,683,007
Tax increment financing collections	4,983	391,046	274,364	290,210
Other city tax	502,078	401,423	443,487	-
Licenses and permits	66,598	71,047	22,613	18,727
Use of money and property	59,455	40,907	27,520	36,951
Intergovernmental	915,365	889,884	700,127	1,039,512
Charges for service	161,539	130,839	199,013	194,348
Special assessments	17,965	35,863	44,222	48,777
Miscellaneous	342,640	194,059	292,803	268,235
Total	\$ 4,026,371	3,879,787	3,607,925	3,579,767
Disbursements:				
Operating:				
Public safety	\$ 1,435,742	1,294,664	1,682,274	1,378,363
Public works	487,234	582,726	581,046	923,440
Culture and recreation	426,005	363,190	305,340	323,633
Community and economic development	366,224	259,328	37,797	206,258
General government	237,911	214,897	213,895	302,050
Debt service	772,593	820,223	652,947	849,128
Capital projects	279,500	769,504	98,068	1,096,109
Non-program	-	-	49,923	25
Total	\$ 4,005,209	4,304,532	3,621,290	5,079,006

See accompanying independent auditor's report.

PEAK & GERDES, LLP
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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Centerville, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated November 7, 2006. Our report expressed an unqualified opinion on the primary government financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Centerville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Centerville's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-06 and I-B-06 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Centerville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Centerville and other parties to whom the City of Centerville may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Centerville during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Peak & Gerdes, LLP
Certified Public Accountants

November 7, 2006

City of Centerville

Schedule of Findings

Year Ended June 30, 2006

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- I-A-06 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The issuance of receipt slips, bank deposits and the posting of the cash receipts to the accounting records are sometimes all done by the same person.

Recommendation – We realize with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- I-B-06 Library – The Library's accounting records do not reconcile from year to year. The books and bank do not reconcile with each other, and some Library transactions were not recorded on the accounting system. There is no immediate record of receipt of funds by the Library. Library collections are not reconciled to deposits to the bank.

There is no written documentation for employee pay rates, and some employees do not keep timesheets.

Some Library invoices could not be located. Library invoices were not consistently cancelled. The May 4, 2006 Library board minutes could not be located.

In July 2005, the Library overpaid a vendor by \$21,157. The Library was completely unaware of this condition until we brought it to their attention in November, 2006.

The Library obtains an electronic image of the front of its cancelled checks. However, the Library does not obtain an electronic image of the back of each cancelled check as required by Chapter 554D.114 of the Code of Iowa.

Change orders on construction projects could not always be located. There is no analysis performed by the Library to ensure the architect is paid the proper amount pursuant to the written contract. On construction projects, it is unclear if the Library issued a sales tax exemption certificate, or whether they should file a sales tax refund claim form with the State of Iowa.

The Library did not issue IRS 1099-Misc. forms as required.

City of Centerville

Schedule of Findings

Year Ended June 30, 2006

Recommendation – The Library ensure the books and bank reconcile with each other on a monthly basis, there is an immediate record of receipt for all monies received, and that collections are reconciled with deposits. Procedures should be implemented to ensure written authorization is maintained documenting employee pay rates, and that all employees keep timesheets.

All invoices should be retained, and all invoices should be marked paid, initialed and dated to cancel. In addition, all Library board minutes should be retained. The Library should request reimbursement for the \$21,157 overpayment, and implement procedures to ensure vendors are not overpaid in the future.

The Library should obtain and retain an image of both the front and back of each cancelled check as required. The Library should obtain and retain all construction change orders on construction projects and procedures should be implemented to ensure the architect is paid the correct amount. The Library should also investigate whether they should file a sales tax refund claim with the State of Iowa, and issue 1099-Misc. forms as required.

Response – We will implement the above to the best of our ability.

Conclusion – Response accepted.

City of Centerville

Schedule of Findings

Year Ended June 30, 2006

Part II: Other Findings Related to Statutory Reporting:

II-A-06 Certified Budget - Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the business type activities function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will implement this recommendation.

Conclusion – Response accepted.

II-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-06 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-06 Business Transactions – No business transactions between the City and City officials or employees of the primary government were noted.

II-E-06 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-06 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not. An Airport Commission meeting, including a list of claims allowed, was not timely published as required by Chapter 372.13 (6) of the Code of Iowa. The Airport Manager's gross salary was not published in accordance with an Attorney General's opinion dated April 12, 1978.

For closed sessions, the vote of each Council member and the reason for holding a closed session was not consistently documented in the Council minutes as required by Chapter 21.5 of the Code of Iowa.

Recommendation - All Airport Commission minutes, list of claims allowed and salary should be timely published as required by the Code of Iowa. The City should also implement procedures to ensure the Code of Iowa requirements are met in relation to closed sessions.

Response – We will implement these recommendations.

Conclusion - Response accepted.

II-G-06 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-H-06 Revenue Bonds – The City has complied with revenue bond and note resolutions.

City of Centerville

Schedule of Findings

Year Ended June 30, 2006

- II-I-06 Payroll - City employees have vacation and compensatory time balances in excess of the maximums allowed by the union agreement and the City personnel policies.

Recommendation - The City consult with legal counsel in relation to how to resolve the vacation and compensatory time issue.

Response - We do have a resolution in place which addresses the vacation and compensatory time issue.

Conclusion - Response accepted.

- II-J-06 Disbursements - Some general obligation bond principal and interest payments were not paid from the Debt Service Fund, as required by Chapter 384.4 of the Code of Iowa. Adjustments were subsequently made so that all general obligation bond principal and interest payments were charged to the Debt Service Fund.

Recommendation - All payments of general obligation bonds should be paid from the Debt Service Fund.

Response - We will implement this recommendation.

Conclusion - Response accepted.

- II-K-06 Compliance Issues - The City has a significant amount of monies in a repurchase bank account. It is unclear if this repurchase account is allowable based on the requirements as documented in Chapter 12B of the Code of Iowa. The City has not resolved prior year Municipal Housing payments in lieu of taxes which are due to the other taxing districts in the City. The City's general ledger does not reconcile to the claim forms submitted to the State of Iowa in relation to a block grant. A total of \$4,560 is due from the Permanent Fund - Cemetery Perpetual Care to the General Fund.

Recommendation - The City consult with their attorney to determine if the repurchase account is an allowable investment based on the requirements as documented in Chapter 12B of the Code of Iowa. Also, the City should work with the other taxing districts in the City to resolve the Municipal Housing payments in lieu of taxes issues. The City should also reconcile its general ledger to the claim forms submitted to the State of Iowa for the block grant program. In addition, \$4,560 should be transferred from the Permanent Fund - Cemetery Perpetual Care to the General Fund.

Response - We will implement these recommendations.

Conclusion - Response accepted.

- II-L-06 Cellular Phone Policy and Fuel Log - The City provides City-owned cellular phones to certain employees for City business. However, the City does not have a specific policy addressing the use of City-owned cellular phones.

The City street department has a bulk fuel tank which is used by city departments. No fuel log is maintained at the tanks. As a result, the City is unable to analyze the propriety of fuel usage.

City of Centerville

Schedule of Findings

Year Ended June 30, 2006

Recommendation – The City should establish a policy to address the use of City-owned cellular phones, including restricting use by employees of the City to City-related business.

In addition, a fuel log should be maintained at the fuel tanks and in the individual vehicles. These fuel logs should then be analyzed to ensure all fuel purchased is accounted for properly and that analysis is performed of the fuel usage for reasonableness.

Response – We will review this and take action as necessary.

Conclusion – Response accepted.

- II-M-06 Public Improvements – The City did not publish a notice of public hearing and bid letting on the Cooper Building construction project as required by Chapters 384.102 and 362.3 of the Code of Iowa. Sealed bids were requested and obtained for this project; however, all these bids were rejected by the City Council. The City then obtained bids on this project at a later date, but the City did not obtain sealed bids and did not publish a notice to bidders as required by Chapters 384.96 and 362.3 of the Code of Iowa.

Recommendation – Before entering into any contract for public improvements where the cost is \$25,000 or more, the Council should publish a notice to bidders, request sealed bids, set a date for a public hearing and give notice at least four but not more than twenty days prior to the hearing as provided in Chapter 362.3 of the Code of Iowa.

Response – We will publish the appropriate notices and obtain sealed bids in the future as required.

Conclusion – Response accepted.

- II-N-06 Sewer Charges – The City's Code of Ordinances requires that the sewer charges be adjusted on July 1 of each year equal to the amount of increase in the Consumer Price Index. We noted that the sewer charges were not adjusted on July 1, 2005 or on July 1, 2006.

Recommendation – The City follow the Code of Ordinances regarding the adjustments of the sewer charges.

Response – This was an oversight on our part. This will be corrected.

Conclusion – Response accepted.

- II-O-06 Cash Management – Federal regulations require that the City have procedures in place to ensure minimal time elapses between receipt of the federal funds and the related disbursements of those funds. Our review noted that more than ten days elapsed between receipt of federal funds from the Department of Homeland Security and the Community Development Block Grant program and the related disbursement of those funds.

Recommendation – The City implement procedures to ensure minimal time elapses between receipt of federal funds and the related disbursement of those funds.

Response – We will implement this recommendation.

Conclusion – Response accepted.

City of Centerville

Schedule of Findings

Year Ended June 30, 2006

II-P-06 Airport – Invoices were not marked paid, dated and canceled to prevent reuse. In addition, dual signatures are not required on checks. Also, there was no written authorization for the airport manager's rate of pay.

Recommendation – Invoices should be maintained for all bills paid and should be marked paid, initialed and dated to cancel. Dual signatures should be required on all checks. Also, written authorization for the airport manager's rate of pay should be documented in the minutes.

Response – Invoices are now marked paid and cancelled. We also now require dual signatures on checks, and in the future we will document the rate of pay in the minutes.

Recommendation - Response accepted.